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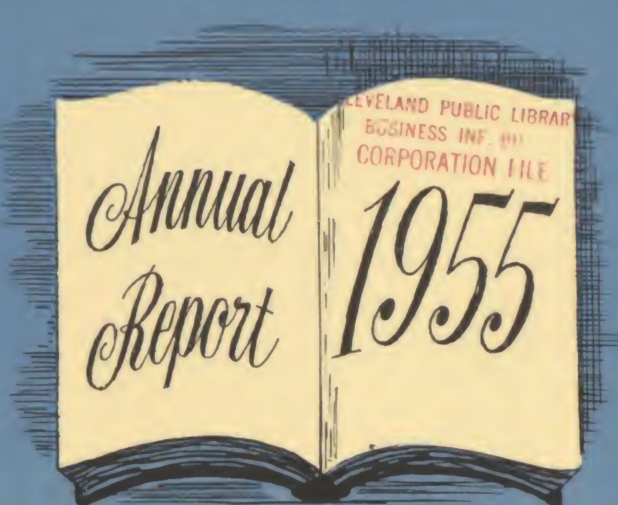

DIRECTORS

J. BALLARD ATHERTON	P. K. McLEAN
E. E. BLACK	J. H. MIDKIFF
A. G. BUDGE	GEO. G. MONTGOMERY
H. K. L. CASTLE	A. F. STUBENBERG
S. N. CASTLE	HENRY A. WHITE
C. J. HENDERSON	H. W. B. WHITE

OFFICERS

A. G. BUDGE	President
H. K. L. CASTLE	Vice-President
C. J. HENDERSON	Vice-President
MALCOLM MacNAUGHTON	Vice-President
FREDERICK SIMPICH, JR.	Vice-President and Secretary
W. M. BUSH	Vice-President and Treasurer
L. J. HOUGHTON	Assistant Treasurer
HOWARD HUBBARD	Assistant Treasurer
J. C. KELLEY	Assistant Treasurer
HENRY B. CLARK, JR.	Assistant Secretary
L. F. DEACON	Assistant Secretary
W. M. HALE, JR.	Assistant Secretary
H. M. RICHARDS	Assistant Secretary

J. F. MURPHY	Director, Industrial Relations
W. R. NORWOOD	Director, Public Relations

AUDITOR

YOUNG, LAMBERTON & PEARSON

STOCK TRANSFER AGENTS

Hawaiian Trust Co., Ltd.	Honolulu
Wells Fargo Bank	San Francisco

REGISTRARS

Bishop Trust Co., Ltd.	Honolulu
American Trust Co.	San Francisco

CASTLE & COOKE, LIMITED

HONOLULU, HAWAII

INTRODUCTION AND INCOME SUMMARY

This was a good year for the Territory and, in common with most other Hawaiian firms, Castle & Cooke enjoyed improved earnings. Most of our profits usually come from dividends which we strive to better by assisting the management of the companies in which we are interested. In 1955, however, we also realized a fairly large operating profit. This was due primarily to a 34 per cent increase in the volume of freight handled by us in the Port of Honolulu. Thus our stevedoring subsidiary enjoyed a successful year and our freight department, despite a reduction in rates of commission, showed a very good return.

The increased difficulties in marketing food products, forecast in last year's report, materialized. Nevertheless, our sugar, pineapple and tuna interests were able to avoid losses and income from these sources remained relatively stable. Some other Castle & Cooke investments produced greater income than in 1954.

How long Hawaii will be able to maintain the present level of business prosperity is speculative, but it is a general rule that our economy lags behind changes in the mainland business cycle. Certainly we have been slow in reflecting anything resembling the current mainland boom. With another peak year generally forecast for the mainland we can reasonably expect another good year in the Islands—barring labor trouble.

INVESTMENTS AND INCOME

Net income in 1955 was $1,852,120 as compared with $1,265,563 in 1954. Both figures reflect for the first time the earnings of Kohala Sugar Company and its subsidiaries which have been consolidated with other wholly owned subsidiaries. Profits for 1955 and 1954 without Kohala's addition are $1,640,429 and $1,087,154 respectively. The improvement for the current year, however, is not as great as either set of figures indicates. In 1954 we took a substantial write-down in the inventories of Hawaiian Tuna Packers—a write-down which, combined with other measures, permitted that company to break even in 1955.

Dividends of $3.00 a share were paid as compared with $1.80 in the prior year.

The policy of purchasing blocks of the company's stock as they became available was continued, 38,448 shares having been acquired during the year. This resulted in a total of 101,233 shares in the treasury.

Kohala Sugar Company reduced its outstanding common stock to 130,000 shares by the purchase of 29,500 shares from Castle & Cooke for $442,500.

Our cash position on a consolidated basis is not as favorable as in 1954 due to investment of $250,000 in a new realty company, later discussed, and the expenditure of $1,348,410 in the purchase of Castle & Cooke stock.

There follows a review of the operations of Castle & Cooke and the companies in which we are interested.

AGENCY SERVICES

Our operations run the gamut from tax work and engineering to accounting and land matters. Perhaps they are best illustrated by mentioning some of the special projects undertaken in addition to routine duties throughout the year.

The purchasing department intensified its efforts to obtain a greater portion of needed equipment and supplies from local sources. This policy has resulted in placing approximately 85 per cent of our orders with Island concerns.

The freight department continued to act as agent during the year for Matson Navigation Company, Isthmian Steamship Company, Nippon Yusen Kaisha and some 50 other lines that call less frequently in Honolulu. In addition to the heavy work load occasioned by increased freight volume, a substantial amount of staff time was devoted to development of facts and figures used by Matson in the Federal Maritime Board hearings on the application by Pacific Far East Lines to enter the Hawaiian trade. Members of the staff appeared as witnesses in the hearings, both at San Francisco and Honolulu.

The industrial engineering department assisted the management of Kohala Sugar Company in developing cost, specification and general planning data for the conversion from bagged to bulk handling of its sugar. Members of the staff also assisted personnel of Keaau Orchard in developing mechanical harvesting devices for macadamia nuts.

The accounting department advanced its program of mechanizing the accounting requirements of our associated companies. Of special significance was the development of machine preparation of the voluminous sorting lists used by Castle & Cooke Terminals in delivering cargo.

The industrial relations department continued its assistance to affiliated companies in the areas of industrial safety, contract administration and collective bargaining. During the year the plantation companies were aided in setting up the complicated machinery for administering pension agreements. Preparation was made for sugar negotiations which began early in January of 1956.

Agency executives, among their other activities, directed the formation of a new corporation, jointly owned with Helemano, to sell residential land in rural Oahu, continued their search for new industrial potentials for Hawaii, and participated extensively in the experiment station and by-products research work of the Hawaiian Sugar Planters' Association.

SUBSIDIARIES

The following companies are either wholly-owned or have only small lots of stock held by outside stockholders. Their results are consolidated in the appended financial statements.

CASTLE & COOKE TERMINALS

The heavy volume of freight through the port, combined with relatively stable labor conditions, gave this company a successful year. In recognition of the community's dependence on reliable shipping and terminal services we are making continued efforts to improve the efficiency of our operations. The heavy volume of cargo, which at times congested Honolulu's pier facilities during the year, underscored the importance of improving cargo-handling methods where possible.

HAWAIIAN EQUIPMENT COMPANY

This company, merged at the start of the year with our other equipment subsidiary, A. F. Stubenberg, Ltd., operated at a nominal profit despite the intense competition in the heavy-equipment field. One of the major items of business during the year was the sale of a second Babcock and Wilcox boiler for Hawaiian Electric Company's new Ala Moana power station.

HAWAIIAN TUNA PACKERS

Improvement in the position of this company was achieved as a result of several actions: the drastic write-down of inventory at the close of 1954; a reduction in the price paid for fish which was accepted in a cooperative spirit by the fishermen; and marked economies in production costs achieved by the management. Tuna surpluses continue to flood the market and competition is intensified by falling prices for other protein foods such as beef and pork. No marked improvement in results is expected in the year ahead. In view of these circumstances we continue to experiment with new products such as smoked tuna and shoyu tuna, as well as work with by-products.

MACADAMIA NUT DIVISION

The pilot plant at Keaau Orchard operated for the first time in 1955, processing some 12,000 pounds of kernels for market and other tests. The plant will be enlarged in the coming year to care for processing the first commercial crop. While it will be some time until this division is operating profitably, present indications confirm earlier expectations that this will be a successful venture.

KOHALA SUGAR COMPANY

Lacking any immediately attractive alternative uses for the land now in sugar at Kohala, this plantation has been continued in operation. Marginal areas have been fallowed, however, and the work force has been reduced. All capital expenditures except those essential for continued operation have been suspended. These steps have been accepted cooperatively by employes and the community. The 1955 crop of 44,200 tons compares with 1954 production of 42,059 tons, and produced a profit of $92,227 as compared with $141,601 in the prior year. The lowered earnings occurred despite a reduction in operating expenses and the larger crop because of the reduced return on sugar, the comparable figures being $115.94 in 1955 and $119.40 in 1954.

For more than 60 years Kohala has shipped its sugar through Mahukona. Conversion to bulk shipment made it necessary to abandon this port and liquidate Mahukona Terminals, the stevedoring subsidiary. Kohala sugar will move by company-owned trucks through Hilo until a harbor is developed at Kawaihae.

COMPANIES SERVED AS MANAGEMENT AGENT

We serve as agent for several companies in which we have a minority holding, providing executive management and staff functions such as accounting, purchasing, industrial relations, engineering and financial guidance.

Some of the companies in this and the following section publish their own annual reports. Interested stockholders may obtain copies by returning the enclosed card.

EWA PLANTATION COMPANY

Declining sugar prices and a somewhat smaller crop combined to reduce the profit in this company from $603,765 in 1954 to $554,674 in 1955. Dividends were lowered accordingly from $1.80 to $1.70 a share. Notwithstanding, Ewa was among the low-cost producers among the Territory's 27 sugar plantations. It is in excellent physical condition, and 1956 prospects are for a reasonably profitable year if labor conditions remain stable.

HELEMANO

Results at Helemano remained relatively stable, with a profit of $655,067 in 1955 as compared with $681,835 in 1954. Dividends were increased from $1.00 to $1.10 per share. During the year this company continued its policy of buying in blocks of its stock when offered for sale, with the result that the shares held in its treasury increased from 50,313 to 65,368.

REALTY DEVELOPMENT, LIMITED

Helemano and Castle & Cooke joined in August 1955 to form this new company which will sell land for residential purposes on rural Oahu. The paid-in capital of $750,000 was contributed two-thirds by Helemano and one-third by Castle & Cooke. When impartial appraisals have been completed this cash will be used to buy desirable areas of potential residential land from Helemano and other sources and retail it. This should help meet the demand for fee-simple home sites in rural areas.

WAIALUA AGRICULTURAL COMPANY

As a result of the slowdown and strike in 1953, this plantation harvested a mixed crop of over-age and young cane in 1955. Combined with extremely cold and wet weather in the spring, this led to relatively poor yields and high costs. The crop of 63,851 tons, as compared with 66,277 tons in 1954, sold at reduced returns, earning a profit of $349,203 as contrasted with $400,067 in 1954. Dividends were lowered from 60¢ to 50¢ per share.

INVESTMENTS

Castle & Cooke has investments in several companies in which our management responsibility is confined to representation on the boards of directors. Dividends from these companies contribute substantially to the income of Castle & Cooke. There follows a summary of the major activities of these companies during the past year.

BAY AND RIVER NAVIGATION COMPANY

This small company registered another successful year in the movement of Hawaiian sugars across San Francisco Bay in vessels specially built for the purpose.

HAWAIIAN PINEAPPLE COMPANY

Competition in the sale of canned fruits and fruit juice continued intense in 1955, with the result that the profits at Hawaiian Pine remained depressed—$1,369,025 in the fiscal year ending May 31 as compared with $1,877,402 in the prior 12 months. The 80-cent dividend was maintained in 1955, but prospects for any improvement in the pineapple sales picture were sufficiently discouraging to suggest further diversification of the company's activities. Accordingly, new issues of Hawaiian Pine stock were used to purchase F. M. Ball & Company of Oakland, California, and Paulus Bros. Packing Co. of Salem, Oregon. Both are processors of fruits and vegetables. These operations, when integrated with the current activities in Honolulu and San Jose, California, will provide the foundation for a long-term diversification into a full line of packaged food products.

Construction of the company's can-making plant at Iwilei progressed during the year. While there have been delays in delivery of can-forming equipment, the new plant will operate to provide containers for a substantial share of the 1956 pack.

Operations at Keaau began in 1948 as bulldozers and tractors cleared the heavy tropical forest from the ancient lava land, ten miles from Hilo, on the Big Island of Hawaii.

All the trees planted at Keaau are grafted. As the land was prepared seedlings were being grafted with scion wood from improved varieties. Seven different varieties developed by the University of Hawaii are used.

There are 70 trees planted on each acre which is all the growing room they require at present. When more space is needed they will be thinned out to about 35 trees per acre.

Trees in the first planted section bore their first sizable nut crop in 1954. John Cross, manager of the Orchard, inspects some of the nuts which were harvested during 1955.

KEAAU

For the past two years, macadamias were processed experimentally. Here the nuts are placed in a centrifuge to remove excess oil after cooking. Pilot plant operations are expanding to accommodate commercial crops.

The first planted trees have grown impressively during the past seven years. Each year more trees begin bearing. In 1955 we harvested 30 tons. We anticipate a crop of 100 tons of nuts in shell during 1956.

HAWAIIAN TRUST COMPANY, LIMITED

While laboring under the difficulties of increased costs despite fixed fees, Hawaiian Trust reported another profitable year and maintained its dividend of $1.20 per share.

HOME INSURANCE COMPANY, LIMITED

Competition in the insurance field in Hawaii increases every year but the Home has been able to increase its premium volume. However, as the result of unusual underwriting losses, the Home reported a 1955 profit of only $247,363 as compared with $282,574 in 1954. Dividends remained at $3.30 per share.

HONOLULU OIL COMPANY

Our long-standing investment in this corporation continued profitable. Dividends from this source increased by 20 per cent during the year.

MATSON NAVIGATION COMPANY

Heavy freight volume and continued tourist travel to the Islands, which permitted the Lurline to operate at practical capacity and kept the hotels well filled, combined to give Matson a satisfactory year. It maintained its dividend of $1.50 a share.

Opening of the new $3,000,000 Princess Kaiulani Hotel in June re-emphasized this company's leadership in developing the Island's tourist business.

Matson also is expanding and diversifying its activities. Contracts were let for the construction of two new vessels to resume the passenger trade to the Antipodes, interrupted by World War II. Studies made in 1955 led to a year-end decision to reacquire the S.S. Monterey for $2,556,000. She will be rebuilt at a cost of $17,500,000 and operated in the Hawaiian trade as the Matsonia opposite the Lurline.

A subsidiary insurance company to write group policies for industrial concerns was established in 1955 and shows early promise of success.

Current studies are being devoted to the increased movement of cargoes in containers and the possibility of resort development on the outside islands and Tahiti.

CONCLUSION

This report is written while negotiations on a new labor contract covering sugar workers are under way with the International Longshoremen's and Warehousemen's Union. Whether these negotiations result in the threatened strike or a contract, they will have focused the attention of the Territory on the serious economic condition of its basic industry.

For the last three years the price of sugar has been declining while the costs of the materials and services required to produce sugar have consistently increased. There are only two means of meeting such a situation. The first is reduced return to the shareholders and the second is increased productivity. The first has been experienced and the second achieved.

Until sugar prices improve there is no room for substantial wage increases to plantation employes regardless of patterns in other industries.

AG Budge

CASTLE & COOKE, LIMITED

STATEMENT OF CONSOLIDATED FINANCIAL CONDITION

AT DECEMBER 31st

	1955		1954	
CURRENT ASSETS:				
Cash	$ 2,161,894		$ 2,438,735	
Marketable Securities at Cost Less Amortization	1,176,446		1,389,126	
Accounts and Other Receivables	2,285,734		2,712,576	
Inventories:				
Merchandise at Lower of Cost or Market	2,986,269		3,777,135	
Supplies at Cost	813,500		929,813	
Prepaid Expenses	92,246		107,462	
Total Current Assets		$ 9,516,089		$11,354,847
DEDUCT CURRENT LIABILITIES:				
Accounts and Other Payables	$ 3,073,476		$ 2,951,683	
Notes Payable	850,000		2,750,000	
Income Taxes Payable	907,842		394,929	
Total Current Liabilities		4,831,318		6,096,612
NET CURRENT ASSETS		$ 4,684,771		$ 5,258,235
GROWING CROPS—STATIC VALUE		1,000,000		1,000,000
INVESTMENTS AT BOOK VALUE		8,129,992		7,796,890
LAND AT COST		2,372,660		2,401,807
BUILDINGS AND EQUIPMENT (Less Reserve for Depreciation)		5,312,709		5,727,017
OTHER ASSETS—NOTES RECEIVABLE		177,221		201,919
DEFERRED CHARGES		82,371		107,135
		$21,759,724		$22,493,003
DEDUCT:				
Reserves:				
Excessive Cost of Plant and Equipment Replacement	$ 511,000		$ 483,000	
Workmen's Compensation	2,796		4,340	
Contingencies	35,500		30,000	
Other	41,619		30,570	
Minority Interests in Subsidiaries	34,619		215,814	
		625,534		763,724
EXCESS OF ASSETS OVER LIABILITIES AND RESERVES		**$21,134,190**		**$21,729,279**
STOCKHOLDERS' EQUITY:				
Capital Stock—Par Value $20.00— Authorized and Issued 500,000 Shares	$10,000,000		$10,000,000	
Capital Paid-In Over Par Value of Stock	396,155		396,155	
Capital Arising from Acquisition of Subsidiaries Stock	2,629,672		2,490,347	
Accumulated Earnings Invested in the Business	11,088,421		10,474,425	
	$24,114,248		$23,360,927	
Less: Treasury Stock at Cost	2,980,058	(101,233 Shares)	1,631,648	(62,785 Shares)
TOTAL STOCKHOLDERS' EQUITY		**$21,134,190**		**$21,729,279**

CASTLE & COOKE, LIMITED

STATEMENT OF CONSOLIDATED EARNINGS

	1955		1954	
INCOME:				
Agency Fees		$ 1,476,787		$ 1,185,821
Dividends		1,200,831		1,161,783
Interest		54,903		33,276
Gross Receipts (Subsidiaries)	$22,430,718		$20,842,541	
Less: Cost of Sales and Direct Expenses	17,609,311		17,109,596	
Gross Margin (Subsidiaries)		4,821,407		3,732,945
Equipment and Other Rentals		471,589		526,773
Miscellaneous (Net)		(68,036)		12,780
Total Income		$ 7,957,481		$ 6,653,378
COSTS:				
Operating Expenses	$ 5,112,278		$ 4,956,886	
Federal Income Taxes	881,185		337,603	
Territorial Income Taxes	83,898		57,326	
Total Cost		6,077,361		5,351,815
NET INCOME FOR YEAR		**$ 1,880,120**		**$ 1,301,563**
DEDUCT:				
Provision for Excessive Cost of Plant and Equipment Replacement (Subsidiary)		28,000		36,000
NET INCOME TRANSFERRED TO STATEMENT OF STOCKHOLDERS' EQUITY		**$ 1,852,120**		**$ 1,265,563**
Less: Minority Interest in Net Earnings of Subsidiaries		3,174		6,701
NET INCOME, CASTLE & COOKE, LIMITED		**$ 1,848,946**		**$ 1,258,862**

STATEMENT OF STOCKHOLDERS' EQUITY

	1955		1954	
BALANCE AT JANUARY 1		**$21,846,412**		**$21,788,869**
ADD: Net Income from Statement of Consolidated Earnings		1,852,120		1,265,563
		$23,698,532		$23,054,432
LESS: Dividends Paid	$ 1,220,844		$ 797,758	
Castle & Cooke, Ltd., Purchases of Treasury Stock	1,348,410		410,262	
		2,569,254		1,208,020
BALANCE AT DECEMBER 31		**$21,129,278**		**$21,846,412**
LESS: Equity of Minority Interests in Accumulated Earnings at December 31		17,968		118,925
		$21,111,310		$21,727,487
ADD: Excess of Par Value Over Cost of Year's Purchases of Subsidiary Stock		22,880		1,792
STOCKHOLDERS' EQUITY—CASTLE & COOKE, LIMITED, AS SHOWN IN STATEMENT OF FINANCIAL CONDITION		**$21,134,190**		**$21,729,279**

CASTLE & COOKE, LIMITED

FINANCIAL NOTES

1. Principles of Consolidation

   All companies in which Castle & Cooke, Limited owns substantially all of the outstanding stock have been consolidated in the accompanying financial statements. In order to make the report comparative, the 1954 statements have been revised to include Kohala Sugar Company.

2. Consistent with the accounting procedures for sugar plantations, conditional compliance payments are recorded in the year in which they are received although the payment is based on the crop of the preceding year. Included in gross receipts in 1955 and 1954 are the amounts of $360,527 and $404,692 respectively, received by Kohala Sugar Company.

3. Unfunded past service and minimum benefit liabilities for retirement plans in effect for employes of the company and its subsidiaries amounted to approximately $1,500,000 at December 31, 1955 which is not reflected in the accompanying statements. The cost of the plans in 1955 was $711,300 of which approximately $150,000 applied to such past service and minimum benefit liabilities.

4. Beginning in 1947 Kohala Sugar Company has annually made provision for, on a formula basis, increased costs of plant and equipment replacement. In 1955 and 1954, $28,000 and $36,000 respectively, were added to the reserve.

5. Income taxes on 1955 operations totalled $965,083. According to regulations effective in 1955, $57,241 was paid during the year leaving a balance of $907,842 to be paid in 1956.

6. During 1955 Castle & Cooke, Limited, purchased 38,448 shares of its stock. At December 31, 1955, 101,233 shares were held as treasury stock at a cost of $2,980,058.

7. Upon retroactive repeal of the section of the Internal Revenue Code of 1954 dealing with estimated expenses, the amount of $34,435 which had been accrued in that year in the accounts of Kohala Sugar Company, was not allowed for tax purposes. Accordingly, additional taxes on this amount were paid in 1955 and the 1955 accounts were adjusted.

8. Depreciation has been calculated on the straight line method except for certain equipment purchased in 1954 and 1955 on which depreciation has been calculated on the "sum of the digits" method.

9. Growing crops of Kohala Sugar Company are stated at a static value which is less than the current cost of the crops.

10. Miscellaneous Income (net)

    This account includes the loss of $69,829 which resulted from the abandonment of certain assets upon dissolution of Mahukona Terminals, Limited.

AUDITOR'S CERTIFICATE

To the Stockholders of
Castle & Cooke, Limited:

We have examined the statement of consolidated financial condition of Castle & Cooke, Limited, and its subsidiaries at December 31, 1955, and the statements of consolidated earnings and stockholders' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of consolidated financial condition, consolidated earnings and stockholders' equity and related notes present fairly the consolidated financial position of Castle & Cooke, Limited, and its subsidiaries at December 31, 1955, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

YOUNG, LAMBERTON & PEARSON
Certified Public Accountants

Honolulu, Hawaii
March 22, 1956

INVESTMENTS OF CASTLE & COOKE, LIMITED
AS OF DECEMBER 31, 1955

SUBSIDIARIES:*	Shares Outstanding	Number of Shares Held	% of Total Outstanding
Castle & Cooke Terminals, Ltd.	60,000	60,000	100.00
Hawaiian Equipment Co., Ltd.	100,000	100,000	100.00
Hawaiian Tuna Packers, Ltd.	110,000	109,957	99.96
Kohala Sugar Co.	130,000	129,603	99.69
OTHER INVESTMENTS:			
Bay & River Navigation Co.	17,000	2,925	17.21
Ewa Plantation Co.	248,550	52,000	20.92
Hawaiian Pineapple Co., Ltd.	1,592,438	240,000	15.07
Hawaiian Trust Co., Ltd.	83,080	8,000	9.63
Helemano Company, Ltd.	544,007	162,500	29.87
Home Insurance Co. of Hawaii, Ltd.	50,000	20,000	40.00
Honolulu Oil Corporation	3,750,972	160,000	4.27
Matson Navigation Company	1,500,000	205,807	13.72
Realty Development, Ltd.	75,000	25,000	33.33
Waialua Agricultural Co., Ltd.	607,375	160,000	26.34

* The financial position and operating results of these companies are consolidated with those of Castle & Cooke, Limited.

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